

Mr. John Twitty, Controller
Health Management Resources, Inc.
2905 White Horse Road
Greenville, South Carolina 29611

Re: AC# 3-BWD-J4 - Briarwood Nursing Center

Dear Mr. Twitty:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period April 1, 1994 through September 30, 1994. That report was used to set the rate covering the contract periods beginning April 1, 1994.

We are recommending that the Department of Health and Human Services certify an accounts receivable/payable for amounts overpaid/underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

EAVjr/trb
cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

**BRIARWOOD NURSING CENTER
SIMPSONVILLE, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING APRIL 1, 1994
AC# 3-BWD-J4**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 17, 1998

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Briarwood Nursing Center, for the contract periods beginning April 1, 1994 and for the six month cost report period ended September 30, 1994, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Briarwood Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contracts between the Department of Health and Human Services and Briarwood Nursing Center dated as of April 1, 1994 and October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
April 17, 1998

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Thomas L. Wagner, Jr., CPA
State Auditor

BRIARWOOD NURSING CENTER
Computation of Rate Change
For the Contract Periods
Beginning April 1, 1994
AC# 3-BWD-J4

	<u>04/01/94- 09/30/94</u>	<u>10/01/94- 12/31/94</u>	<u>01/01/95- 09/30/95</u>	<u>10/01/95 09/30/96</u>
Interim reimbursement rate (1)	\$67.60	\$69.24	\$67.84	\$70.02
Adjusted reimbursement rate	<u>67.56</u>	<u>69.36</u>	<u>67.96</u>	<u>70.02</u>
(Increase) Decrease in reimbursement rate	\$ <u>.04</u>	\$ <u>(.12)</u>	\$ <u>(.12)</u>	\$ <u>-</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 1997

BRIARWOOD NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period April 1, 1994 Through September 30, 1994
AC# 3-BWD-J4

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$1.30	\$31.64	\$32.94	\$31.64
Dietary	<u>-</u>	<u>9.99</u>	<u>9.15</u>	<u>9.15</u>
Subtotal	<u>\$1.30</u>	41.63	42.09	40.79
Laundry/Housekeeping/Maint.	\$ -	7.04	6.68	6.68
Administration & Med. Rec.	<u>.41</u>	<u>6.28</u>	<u>6.69</u>	<u>6.28</u>
Subtotal	<u>\$.41</u>	54.95	<u>\$55.46</u>	53.75
<u>Costs Not Subject to Standards:</u>				
Utilities		1.01		1.01
Special Services		1.30		1.30
Medical Supplies & Oxy.		3.99		3.99
Taxes and Insurance		1.01		1.01
Legal Fees		<u>.16</u>		<u>.16</u>
TOTAL		<u>\$62.42</u>		61.22
Inflation Factor (N/A)				-
Cost of Capital				5.94
Cost of Capital Limitation				(1.64)
Profit Incentive (Max. 3.5% of Allowable Cost)				.41
Cost Incentive - For Gen. Serv. & Dietary				1.30
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				(.21)
OTC/Nonlegend Drug Reimbursement				.24
Laundry Add-On				<u>.30</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$67.56</u>

BRIARWOOD NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1994 Through December 31, 1994
AC# 3-BWD-J4

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.56	\$31.64	\$36.64	\$31.64
Dietary	<u>-</u>	<u>9.99</u>	<u>9.23</u>	<u>9.23</u>
Subtotal	<u>\$2.56</u>	41.63	45.87	40.87
Laundry/Housekeeping/Maint.	\$ -	7.04	6.75	6.75
Administration & Med. Rec.	<u>.94</u>	<u>6.28</u>	<u>7.22</u>	<u>6.28</u>
Subtotal	<u>\$.94</u>	54.95	<u>\$59.84</u>	53.90
<u>Costs Not Subject to Standards:</u>				
Utilities		1.01		1.01
Special Services		1.30		1.30
Medical Supplies & Oxy.		2.75		2.75
Taxes and Insurance		1.01		1.01
Legal Fees		<u>.16</u>		<u>.16</u>
TOTAL		<u>\$61.18</u>		60.13
Inflation Factor (4.50%)				2.71
Cost of Capital				6.44
Cost of Capital Limitation				(1.97)
Profit Incentive (Max. 3.5% of Allowable Cost)				.94
Cost Incentive - For Gen. Serv. & Dietary				2.56
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				(2.00)
OTC/Nonlegend Drug Reimbursement				.25
Laundry Add-On				<u>.30</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$69.36</u>

BRIARWOOD NURSING CENTER

Computation of Adjusted Reimbursement Rate
For the Contract Periods January 1, 1995 Through September 30, 1995
AC# 3-BWD-J4

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.56	\$31.64	\$36.64	\$31.64
Dietary	<u>-</u>	<u>9.99</u>	<u>9.23</u>	<u>9.23</u>
Subtotal	<u>\$2.56</u>	41.63	45.87	40.87
Laundry/Housekeeping/Maint.	\$ -	7.04	6.75	6.75
Administration & Med. Rec.	<u>.94</u>	<u>6.28</u>	<u>7.22</u>	<u>6.28</u>
Subtotal	<u>\$.94</u>	54.95	<u>\$59.84</u>	53.90
<u>Costs Not Subject to Standards:</u>				
Utilities		1.01		1.01
Special Services		.01		.01
Medical Supplies & Oxy.		2.70		2.70
Taxes and Insurance		1.01		1.01
Legal Fees		<u>.16</u>		<u>.16</u>
TOTAL		<u>\$59.84</u>		58.79
Inflation Factor (4.50%)				2.65
Cost of Capital				6.44
Cost of Capital Limitation				(1.97)
Profit Incentive (Max. 3.5% of Allowable Cost)				.94
Cost Incentive - For Gen. Serv. & Dietary				2.56
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				(2.00)
OTC/Nonlegend Drug Reimbursement				.25
Laundry Add-On				<u>.30</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$67.96</u>

BRIARWOOD NURSING CENTER

Computation of Adjusted Reimbursement Rate
For the Contract Periods October 1, 1995 Through September 30, 1996
AC# 3-BWD-J4

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.30	\$31.64	\$47.08	\$31.64
Dietary	<u>.20</u>	<u>9.99</u>	<u>10.19</u>	<u>9.99</u>
Subtotal	<u>\$3.50</u>	41.63	57.27	41.63
Laundry/Housekeeping/Maint.	\$.13	7.04	7.17	7.04
Administration & Med. Rec.	<u>1.30</u>	<u>6.28</u>	<u>7.58</u>	<u>6.28</u>
Subtotal	<u>\$1.43</u>	54.95	<u>\$72.02</u>	54.95
<u>Costs Not Subject to Standards:</u>				
Utilities		1.01		1.01
Special Services		.01		.01
Medical Supplies & Oxy.		2.96		2.96
Taxes and Insurance		1.01		1.01
Legal Fees		<u>.16</u>		<u>.16</u>
TOTAL		<u>\$60.10</u>		60.10
Inflation Factor (6.30%)				3.79
Cost of Capital				6.45
Cost of Capital Limitation				(1.82)
Profit Incentive (Max. 3.5% of Allowable Cost)				1.43
Cost Incentive - For Gen. Serv. & Dietary				3.50
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(3.43)</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$70.02</u>

BRIARWOOD NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1994
For the Contract Period April 1, 1994 through September 30, 1994
AC# 3-BWD-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$225,366	\$ -	\$ -	\$225,366
Dietary	71,134	-	-	71,134
Laundry	15,946	-	-	15,946
Housekeeping	18,290	-	-	18,290
Maintenance	15,915	-	-	15,915
Administration & Medical Records	44,760	-	-	44,760
Utilities	7,160	-	-	7,160
Special Services	9,250	-	-	9,250
Medical Supplies & Oxygen	28,740	-	349 (1)	28,391
Taxes & Insurance	7,166	-	-	7,166
Legal Fees	1,136	-	-	1,136

BRIARWOOD NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1994
For the Contract Period April 1, 1994 through September 30, 1994
AC# 3-BWD-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	<u>42,317</u>	<u>-</u>	<u>-</u>	<u>42,317</u>
Subtotal	487,180	-	349	486,831
Ancillary	5,554	349(1)	-	5,903
Non-Allowable	<u>(7,312)</u>	<u>-</u>	<u>-</u>	<u>(7,312)</u>
Total Operating Expenses	<u>\$485,422</u>	<u>\$349</u>	<u>\$349</u>	<u>\$485,422</u>

TOTAL BEDS 39

TOTAL PATIENT DAYS 7,123

BRIARWOOD NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1994
For the Contract Period October 1, 1994 through December 31, 1994
AC# 3-BWD-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$225,366	\$ -	\$ -	\$225,366
Dietary	71,134	-	-	71,134
Laundry	15,946	-	-	15,946
Housekeeping	18,290	-	-	18,290
Maintenance	15,915	-	-	15,915
Administration & Medical Records	44,760	-	-	44,760
Utilities	7,160	-	-	7,160
Special Services	9,250	-	-	9,250
Medical Supplies & Oxygen	19,946	-	349 (1)	19,597
Taxes & Insurance	7,166	-	-	7,166
Legal Fees	1,136	-	-	1,136

BRIARWOOD NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1994
For the Contract Period October 1, 1994 through December 31, 1994
AC# 3-BWD-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	<u>45,865</u>	<u>-</u>	<u>-</u>	<u>45,865</u>
Subtotal	481,934	-	349	481,585
Ancillary	5,554	349(1)	-	5,903
Non-Allowable	<u>(2,066)</u>	<u>-</u>	<u>-</u>	<u>(2,066)</u>
Total Operating Expenses	<u>\$485,422</u>	<u>\$349</u>	<u>\$349</u>	<u>\$485,422</u>

TOTAL BEDS 39

TOTAL PATIENT DAYS 7,123

BRIARWOOD NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1994
For the Contract Periods January 1, 1995 through September 30, 1995
AC# 3-BWD-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$225,366	\$ -	\$ -	\$225,366
Dietary	71,134	-	-	71,134
Laundry	15,946	-	-	15,946
Housekeeping	18,290	-	-	18,290
Maintenance	15,915	-	-	15,915
Administration & Medical Records	44,760	-	-	44,760
Utilities	7,160	-	-	7,160
Special Services	36	-	-	36
Medical Supplies & Oxygen	19,614	-	349 (1)	19,265
Taxes & Insurance	7,166	-	-	7,166
Legal Fees	1,136	-	-	1,136

BRIARWOOD NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1994
For the Contract Periods January 1, 1995 through September 30, 1995
AC# 3-BWD-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	<u>45,865</u>	<u>-</u>	<u>-</u>	<u>45,865</u>
Subtotal	472,388	-	349	472,039
Ancillary	5,554	349(1)	-	5,903
Non-Allowable	<u>7,480</u>	<u>-</u>	<u>-</u>	<u>7,480</u>
Total Operating Expenses	<u>\$485,422</u>	<u>\$349</u>	<u>\$349</u>	<u>\$485,422</u>

TOTAL BEDS 39

TOTAL PATIENT DAYS 7,123

BRIARWOOD NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1994
For the Contract Periods October 1, 1995 through September 30, 1996
AC# 3-BWD-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$225,366	\$ -	\$ -	\$225,366
Dietary	71,134	-	-	71,134
Laundry	15,946	-	-	15,946
Housekeeping	18,290	-	-	18,290
Maintenance	15,915	-	-	15,915
Administration & Medical Records	44,760	-	-	44,760
Utilities	7,160	-	-	7,160
Special Services	36	-	-	36
Medical Supplies & Oxygen	21,096	-	-	21,096
Taxes & Insurance	7,166	-	-	7,166
Legal Fees	1,136	-	-	1,136

BRIARWOOD NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1994
For the Contract Periods October 1, 1995 through September 30, 1996
AC# 3-BWD-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	<u>45,944</u>	<u>-</u>	<u>-</u>	<u>45,944</u>
Subtotal	473,949	-	-	473,949
Ancillary	4,072	-	-	4,072
Non-Allowable	<u>7,401</u>	<u>-</u>	<u>-</u>	<u>7,401</u>
Total Operating Expenses	<u>\$485,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$485,422</u>

TOTAL BEDS 39

TOTAL PATIENT DAYS 7,123

BRIARWOOD NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 1994
AC# 3-BWD-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Ancillary Medical Supplies	\$349	\$349
	To reclassify expenses to the proper cost center State Plan, Attachment 4.19D (This adjustment applies only to the contract periods 4/1/94 - 9/30/95)		
		—	—
	TOTAL ADJUSTMENTS	<u>\$349</u>	<u>\$349</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

BRIARWOOD NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1994
 For the Contract Period April 1, 1994 through September 30, 1994
 AC# 3-BWD-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.8129</u>
Deemed Asset Value (Per Bed)	28,313
Number of Beds	<u>39</u>
Deemed Asset Value	1,104,207
Improvements Since 1981	72,638
Accumulated Depreciation at 09/30/94	<u>(115,500)</u>
Deemed Depreciated Value	1,061,345
Market Rate of Return	<u>.072</u>
Total Annual Return	76,417
Number of Days in Period	<u>183/365</u>
Adjusted Annual Return	38,313
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	38,313
Depreciation Expense	4,030
Amortization Expense	37
Capital Related Income Offsets	(63)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	42,317
Total Patient Days (Actual)	<u>7,123</u>
Cost of Capital Per Diem	\$ <u><u>5.94</u></u>

BRIARWOOD NURSING CENTER

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended September 30, 1994

For the Contract Period April 1, 1994 through September 30, 1994

AC# 3-BWD-J4

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$.64
Adjustment for Maximum Increase	<u>3.66</u>
Maximum Cost of Capital Per Diem	\$ <u>4.30</u>
Reimbursable Cost of Capital Per Diem	\$ 4.30
Cost of Capital Per Diem	<u>5.94</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.64)</u>

BRIARWOOD NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1994
 For the Contract Periods October 1, 1994 through September 30, 1995
 AC# 3-BWD-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.8981</u>
Deemed Asset Value (Per Bed)	29,644
Number of Beds	<u>39</u>
Deemed Asset Value	1,156,116
Improvements Since 1981	72,638
Accumulated Depreciation at 09/30/94	<u>(115,500)</u>
Deemed Depreciated Value	1,113,254
Market Rate of Return	<u>.075</u>
Total Annual Return	83,494
Number of Days in Period	<u>183/365</u>
Adjusted Annual Return	41,861
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	41,861
Depreciation Expense	4,030
Amortization Expense	37
Capital Related Income Offsets	(63)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	45,865
Total Patient Days (Minimum 98% Occupancy)	<u>7,123</u>
Cost of Capital Per Diem	\$ <u><u>6.44</u></u>

BRIARWOOD NURSING CENTER

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended September 30, 1994

For the Contract Periods October 1, 1994 through September 30, 1995

AC# 3-BWD-J4

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$.64
Adjustment for Maximum Increase	<u>3.83</u>
Maximum Cost of Capital Per Diem	\$ <u>4.47</u>
Reimbursable Cost of Capital Per Diem	\$ 4.47
Cost of Capital Per Diem	<u>6.44</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.97)</u>

BRIARWOOD NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1994
 For the Contract Periods October 1, 1995 through September 30, 1996
 AC# 3-BWD-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.9778</u>
Deemed Asset Value (Per Bed)	30,889
Number of Beds	<u>39</u>
Deemed Asset Value	1,204,671
Improvements Since 1981	72,638
Accumulated Depreciation at 09/30/94	<u>(115,500)</u>
Deemed Depreciated Value	1,161,809
Market Rate of Return	<u>.072</u>
Total Annual Return	83,650
Number of Days in Period	<u>183/365</u>
Adjusted Annual Return	41,940
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	41,940
Depreciation Expense	4,030
Amortization Expense	37
Capital Related Income Offsets	(63)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	45,944
Total Patient Days (Minimum 97% Occupancy)	<u>7,123</u>
Cost of Capital Per Diem	\$ <u><u>6.45</u></u>

BRIARWOOD NURSING CENTER

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended September 30, 1994

For the Contract Periods October 1, 1995 through September 30, 1996

AC# 3-BWD-J4

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$.64
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>4.63</u>
Reimbursable Cost of Capital Per Diem	\$ 4.63
Cost of Capital Per Diem	<u>6.45</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.82)</u>